

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program of 2008
Proposition 3

Staff Summary
Resolution No. CHP-3 2011-03
December 1, 2011

Applicant: Lucile Salter Packard Children's Hospital at Stanford LPCH-01-03
 725 Welch Road
 Palo Alto, CA 94304-1601
 Santa Clara County

Project Site: Same as above

Amount Requested: \$98,000,000

Summary of Awards to Hospital	2004 Program	2008 Program
Prior Amount Awarded	\$74 million	\$0
Maximum Allowed for Hospital	\$74 million	\$98 million

Description of Applicant:

Lucile Salter Packard Children's Hospital at Stanford (LPCH) is a non-profit 501(c)(3) general acute care hospital with a current license from the California Department of Public Health. The 2010 (year ending August 31) audit was submitted and is free of "going concern" language.¹

Project:

LPCH is seeking grant funds to expand its hospital by constructing two five-story patient towers connected at the base by two additional floors. The expansion will total 521,000 square feet. The hospital is currently 275,000 square feet. The north tower will have 78 acute care beds. The south tower will have 72 intensive care beds. Beneath the first floors of both towers will be a shared ground floor and a shared basement. The ground floor will have six operating rooms, 32 recovery rooms and an imaging center consisting of two nuclear medicine rooms, one magnetic resonance imaging scanner (MRI); one computed tomography (CT) scanner, one interventional room and three cardiac catheterization (cath) labs. Below the ground floor, the basement will include a new kitchen, a central sterile department, and clinical engineering. The expansion will also relocate the hospital's main entrance. Please see the attached diagrams for more details.

Although not a part of this grant, LPCH will also be renovating a part of the existing facility. LPCH plans to convert many of the existing semi-private rooms to private rooms. After the expansion and renovation are both completed, LPCH will have a net of 104 new beds.

¹ The absence of 'going concern' language tends to suggest the organization is in good operational health for that fiscal year. The Authority's regulations define "Going Concern Qualification" in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

Proposition 3 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated LPCH's projects using the six factors identified in Proposition 3 language.

Factor 1: The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children:

LPCH performs more than 500 cardiac surgeries per year. During the last three months, it had to cancel twenty cardiac surgeries due to lack of beds in the Cardiovascular Intensive Care Unit (ICU). The additional ICU beds should eliminate cancellations and handle future growth.

Presently, LPCH patients go to Stanford Hospital and Clinics (SHC) for the following care: cardiac catheterization, other interventional radiology services, nuclear medicine and PET-CT². SHC's adult cardiac and interventional radiology program has been growing and LPCH has experienced delays scheduling a cath lab or interventional radiology procedure as a result. SHC intends to dedicate what are now the pediatric cath labs to adult services by 2016, so LPCH needs to offer those services in-house by that time. LPCH estimates the round trip from patient rooms to the new cath labs will be ten minutes instead of the thirty minutes it currently takes, and LPCH will be able to perform 250 more procedures a year. In addition, as more patients' needs can be met through interventional procedures rather than more complicated surgeries, LPCH anticipates outpatient procedures requiring patients to stay less than 24 hours will increase from 1,300 per year to 2,300.

LPCH has two MRIs and the average wait time for an outpatient appointment is 20 days. The expansion will allow the addition of another MRI, and LPCH expects to reduce by wait times by half as a result.

Within the new construction, LPCH will have space available for teleconferencing. This will allow LPCH's specialists to provide services to communities that may not have pediatric subspecialists.

Factor 2: The grant will contribute toward the improvement of child health care or pediatric patient outcomes:

One of the new operating rooms will be a neuro hybrid suite. The suite allows for combined interventional and surgical procedures. For example, a pediatric patient who has a brain tumor can undergo three different procedures in the same room while under anesthesia: MRI, interventional imaging exam and surgery. Prior to closing, the surgeon will order another MRI to ensure the entire tumor has been removed.

² Positron emission tomography - computed tomography (PET-CT) is a medical imaging device which combines both positron emission tomography (PET) and x-ray computed tomography (CT) so images can be taken sequentially in the same session from both devices and combined into a single superposed image. The image depicts metabolic or biochemical activity. PET-CT adds the precision of anatomic localization to functional imaging, including for medical diagnosis, oncology, surgical planning, and radiation therapy.

The three cardiac cath labs and the interventional rooms will all include biplane angiography capability. A biplane exam produces accurate images from two different points of view. It requires less contrast volumes and radiation exposure. One of the cath labs is a cardiac hybrid room, which allows for a combined cardiac cath and surgery to occur in the same room without moving the patient. It also allows for more interventional versus surgical procedures, which will reduce recovery time and complications.

Approximately 126,000 square feet of the expansion is for conversion to single-bed rooms. Single-bed patient rooms improve patient care and allow families to assist patients in recovering from illness or treatment. Single-bed rooms also help with infection control. Infection control is important in hospitals generally, but particularly during flu season when many patients are hospitalized with infectious conditions and need to be isolated from other patients. Wait times for admission of patients under such conditions are between ten and twelve hours. Some patients are moved four to five times to accommodate the patients who need private rooms. Moving a patient multiple times can have an adverse impact on that child's health. LPCH anticipates a 50% reduction in patient moves.

Factor 3: The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients:

LPCH is a certified California Children's Services (CCS) hospital³. Medi-Cal insures about 43% of LPCH's patients. Under-reimbursed expense (cost of care less the reimbursement received) for 22,812 patients covered by Medi-Cal, Healthy Families, Healthy Kids, CCS and other means-tested government programs was \$128,967,083 in FY 2010. Charity care totaled an additional \$1,087,736 for 580 patients, based on a ratio of cost to charges.

Factor 4: The children's hospital provides services to vulnerable pediatric populations:

In 2010, LPCH had 12,893 discharges and 140,000 outpatient visits. LPCH has organized most of its clinical care within six Centers of Excellence. These centers focus on: brain and behavior disciplines (neurosurgery, neurology and child psychiatry); cancer and blood diseases; cystic fibrosis and pulmonary disease; pediatric congenital heart disease; pregnancy and newborn services; and transplantation and tissue engineering. According to the hospital, LPCH's liver transplant program is ranked second in the nation and has a 95% three-year patient survival rate. Its kidney transplant program is ranked third in the nation and has a 100% three-year patient survival rate. Heart transplant has an 86% three-year patient survival rate and is ranked fourth in the nation.

Factor 5: The children's hospital promotes pediatric teaching or research programs:

LPCH acts as the pediatric division of Stanford University Medical Center. Its six Centers of Excellence work in close coordination with Stanford to advance pediatric medical research. For example, the Center for Cancer and Blood Diseases brings together a team from several departments at LPCH and the Stanford School of Medicine to investigate pediatric non-Hodgkin's lymphoma, Hodgkin's disease, leukemia, sarcomas, brain tumors, and hemophilia and currently is investigating gene therapy approaches in the treatment of hemophilia. The team

³ CCS is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for children and young adults under 21 years of age who have complex or chronic eligible medical conditions and whose families are unable to pay for all or part of their care.

currently participates in over one hundred clinical trials, and the majority of the patients with cancer at LPCH participate in clinical trials.

Through its association with Stanford University and Stanford University Medical Center, LPCH trains about 140 medical students, residents and fellows each year. Pediatric residency rotations include a community advocacy rotation program that teaches residents about advocacy on behalf of their patients, and focuses on community and public service and on legislative advocacy. The hospital also provides supervision, mentoring and clinical experience for students and fellows in nursing, pharmacy, social work, hospital chaplaincy, audiology, occupational and physical therapy from U.C. San Francisco, San Jose State University, and several community colleges.

Factor 6: Demonstration of project readiness and project feasibility:

The city has issued building permits and has certified the adequacy of the final environmental impact reports. LPCH is currently demolishing two structures that are on the building site and upgrading water services, gas lines and information technology infrastructure along the adjacent road. LPCH anticipates construction to begin in mid-2012 and an opening date of late 2016 or early 2017. Fundraising has been underway for the project, and its progress includes over \$42 million received or receivable, \$77 million in conditional pledges (due to timing or ground-breaking), and another \$63 million identified and expected to be pledged. LPCH expects firm commitments for the entire \$250 million of fundraising for the project by August of 2013.

<u>Source of Funds</u>		<u>Use of Funds</u>	
CHFFA Grant	\$ 98,000,000	Construction	\$ 786,000,000
Internal Operations	181,000,000	Equipment and IT*	198,000,000
New Bonds	394,000,000	Owner's Reserve	94,000,000
Prior Bonds	70,000,000	Real Estate Acquisition	66,000,000
Fundraising	250,000,000	Road Improvements	16,000,000
Board Designated Funds	<u>207,000,000</u>	Other	<u>40,000,000</u>
Total Sources	\$ 1,200,000,000	Total Funds	\$ 1,200,000,000

* Funding of equipment and information technology is not included in this grant.

Legal Review:

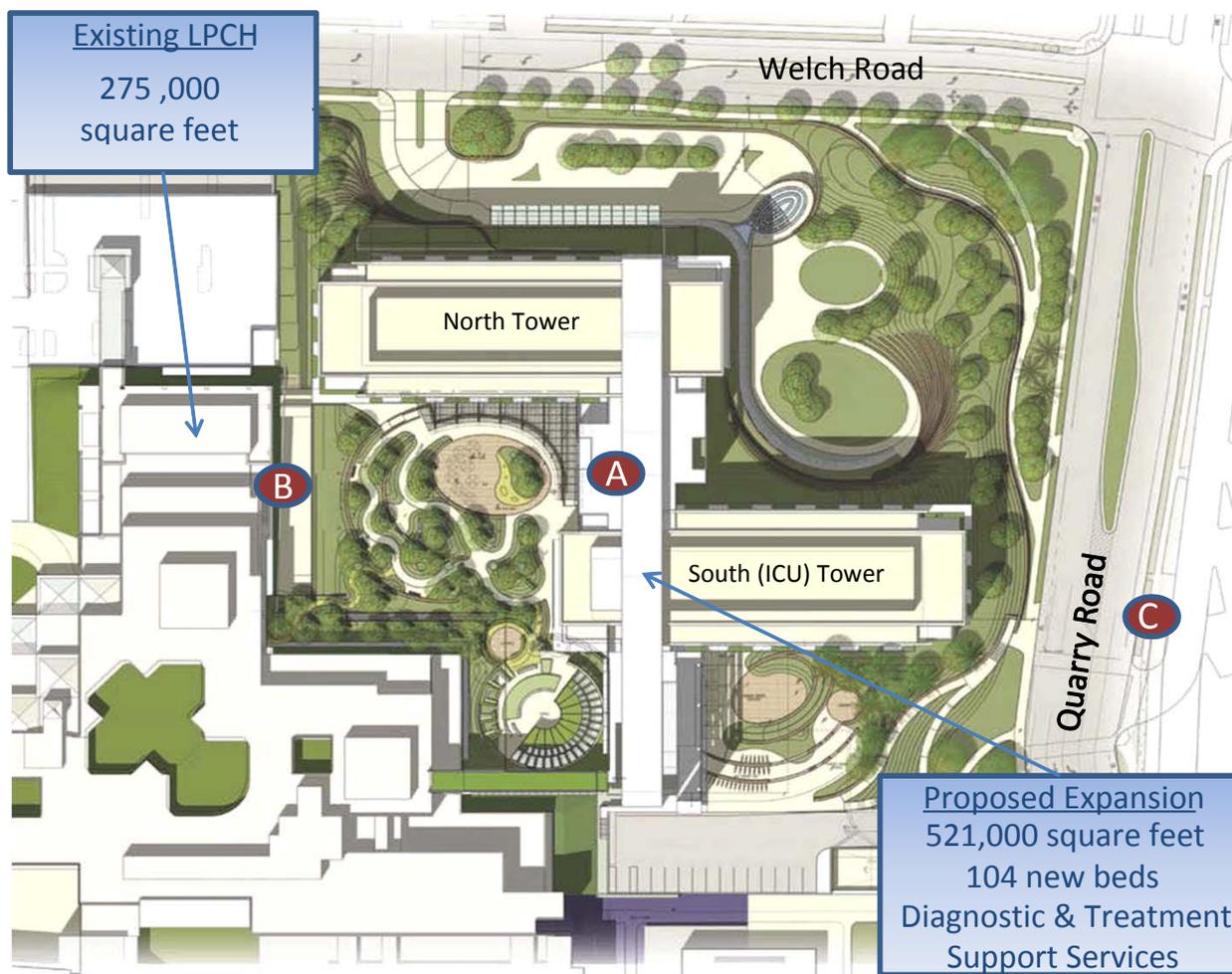
No information was disclosed to detrimentally affect the financial viability or legal integrity of the applicant.

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2011-03 for Lucile Salter Packard Children's Hospital at Stanford to provide a grant not to exceed \$98,000,000 (less issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

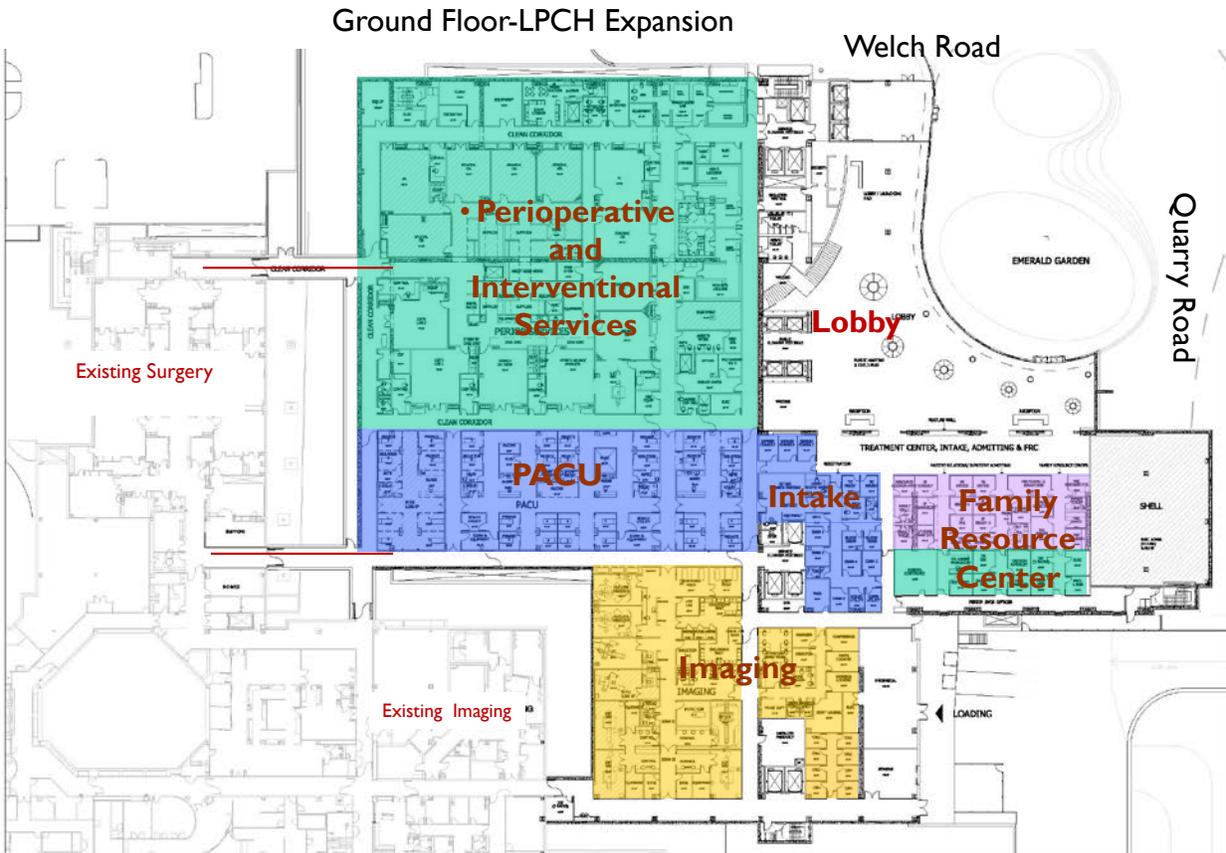
DIAGRAMS

The view below depicts the schematic design of the main campus and proposed new expansion. Labels A, B and C refer to three separate views on the following pages to illustrate alignment of key departments by floor.



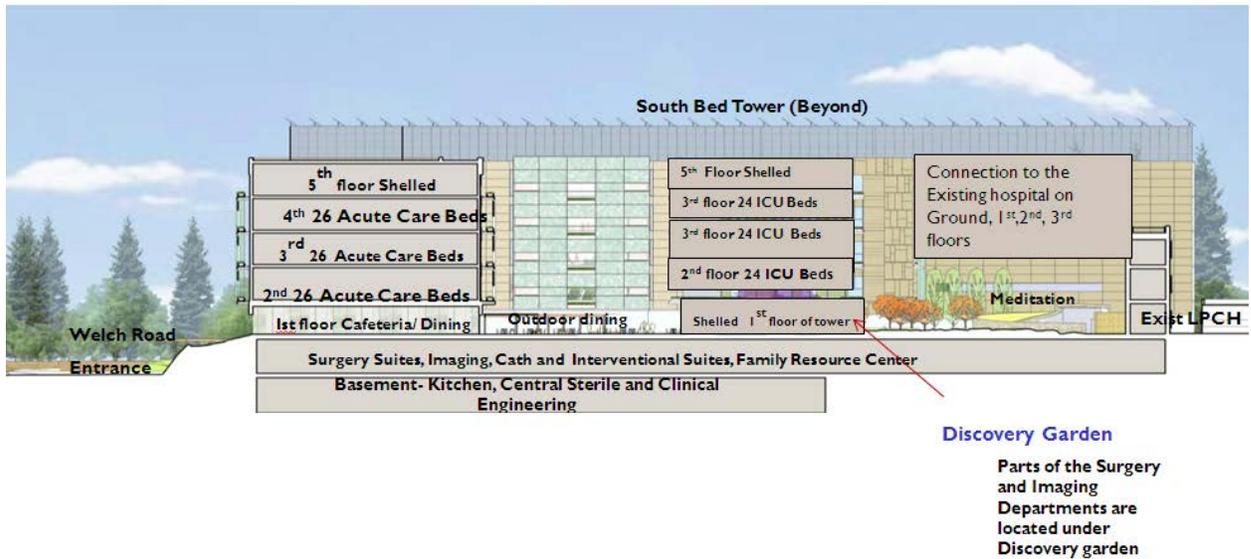
A

This diagram depicts a top view of the ground floor, which connects the North and South Towers and extends to the existing hospital underneath the Discovery Garden (an outdoor dining, gathering and meditation area for patients and their families).





Below, a view of the LPCH Expansion from the existing LPCH Hospital illustrates the layout of the 78 acute care beds (North Tower) and 72 intensive care beds (South Tower).



This view from Quarry Road shows a more detailed layout of the 72 ICU beds in the South Tower.

